Deloitte.
德勤

MORISON HENG
Certified Public Accountants

28 June 2010

The Directors
Chiho-Tiande Group Limited
CCB International Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Chiho-Tiande Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 (the "Track Record Period") (the "Financial Information") for inclusion in the prospectus dated 28 June 2010 issued by the Company (the "Prospectus") in connection with the initial public offering of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 15 May 2008 as an exempted company with limited liability under the Companies Law (2004 Revision), Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation, as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix VI to the Prospectus (the "Group Reorganisation"), the Company became the holding company of the Group on 27 August 2008.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group				Principal activities
			At 31 December			Date of this report	
			2007	2008	2009		
Chiho-Tiande International Limited ("CT International") *(note (i))*	British Virgin Islands 2 April 2008	US$2	N/A	100%	100%	100%	Investment holding
Hefast Holding Corporation Limited ("Hefast")	Hong Kong 20 December 2002	HK$100,000	100%	100%	100%	100%	Investment holding and purchasing agent of the Group
Chiho-Tiande (HK) Limited ("CT HK") *(note (ii))*	Hong Kong 12 May 2004	HK$1	N/A	100%	100%	100%	Purchasing agent of the Group and wholesales of metal scrap without processing
Chiho-Tiande Investments Limited ("CT Investments")	Hong Kong 16 July 2008	HK$10,000	N/A	100%	100%	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company At 31 December 2007	2008	2009	Date of this report	Principal activities
Chiho-Tiande (Hong Kong) Copper Industry Company Limited ("CT HK (Copper)")	Hong Kong 15 June 2009	HK$10,000	N/A	N/A	100%	100%	Investment holding
台州齊合天地金屬有限公司 Taizhou Chiho-Tiande Metals Company Limited ("CT Metals") *(note (iv))*	The People's Republic of China (the "PRC") 24 December 1999	US$22,682,000	100%	100%	100%	100%	Processing and sales of metal scrap, production and sales of metal products
台州齊合天地鑄造有限公司 Taizhou Chiho-Tiande Foundry Company Limited ("CT Foundry") *(note (iv))*	The PRC 8 December 2003	US$7,500,000	100%	100%	100%	100%	Processing and sales of metal scrap, production and sales of metal products
齊合天地(寧波)再生金屬有限公司 Chiho-Tiande (Ningbo) Metals Recycling Co., Limited ("CT Metals (Ningbo)") *(note (iv))*	The PRC 28 September 2008	US$3,000,000	N/A	100%	100%	100%	Processing and sales of metal scrap
齊合天地(寧波)銅業有限公司 Chiho-Tiande (Ningbo) Copper Industry Co., Limited ("CT Copper (Ningbo)") *(notes (iii) and (iv))*	The PRC 5 August 2009	Nil	N/A	N/A	100%	100%	Trading of metal scrap
Delco Europe B.V. ("Delco Europe") *(note (v))*	The Netherlands 18 January 1985	EUR18,151	N/A	N/A	N/A	100%	Purchasing agent of the Group

notes:

(i) The Company holds CT International directly and all other subsidiaries indirectly.

(ii) On 11 March 2008, the Group acquired the entire issued capital of CT HK from Mr. Fang Ankong ("Mr. Fang") for a consideration of HK$1 which was equivalent to CT HK's net asset value at that date.

(iii) CT Copper (Ningbo) was established on 5 August 2009 in the PRC as a wholly owned subsidiary of CT HK (Copper). CT Copper (Ningbo) was deregistered on 9 June 2010.

(iv) These entities are wholly-foreign owned enterprise established in the PRC.

(v) On 1 January 2010, the Group acquired 100% equity interest in Delco Europe from H.P.L. Metals B.V. ("HPL") and SVO Company B.V. ("SVO"), companies owned by the holding companies of certain shareholders of the Company, for a consideration of EUR100 in cash which was equivalent to its net asset value at that date. Further details of Delco Europe are set out in Note 1 to Section C below.

The financial year end date of the companies now comprising the Group is 31 December.

No audited financial statements have been prepared for the Company, CT International and Delco Europe since the date of their incorporation as there is no statutory audit requirement in their respective places of incorporation. No audited financial statements have been prepared for CT Copper (Ningbo) as it was deregistered on 9 June 2010.

The statutory financial statements of CT Metals (Ningbo) for each of the periods from its date of establishment were prepared in accordance with the relevant accounting rules and regulations of the PRC and were audited by Ningbo Weiyuan Certified Public Accountants 寧波威遠會計師事務所, certified public accountants registered in the PRC.

The statutory financial statements of CT Metals and CT Foundry for each of the periods in the Track Record Period were prepared in accordance with the relevant accounting rules and regulations of the PRC and were audited by Taizhou Zhongtian Certifical Public Accountants 台州中天會計事務所, certified public accountants registered in the PRC.

The statutory financial statements of the Company's subsidiaries prepared in accordance with Hong Kong Financial Reporting Standards for each of the periods in the Track Record Period were audited by certified public accountants registered in Hong Kong in accordance with Hong Kong Standards on Auditing as follows:

Name of subsidiary	Financial year/period	Name of auditor
Hefast	Financial year ended 31 December 2007	Morison Heng and Deloitte Touche Tohmatsu jointly
	Financial year ended 31 December 2008	Morison Heng and Deloitte Touche Tohmatsu jointly
	Financial year ended 31 December 2009	Morison Heng and Deloitte Touche Tohmatsu jointly
CT HK	Financial year ended 31 December 2008	Morison Heng and Deloitte Touche Tohmatsu jointly
	Financial year ended 31 December 2009	Morison Heng and Deloitte Touche Tohmatsu jointly
CT Investments	Period from 16 July 2008 (date of incorporation) to 31 December 2008	Morison Heng and Deloitte Touche Tohmatsu jointly
	Financial year ended 31 December 2009	Morison Heng and Deloitte Touche Tohmatsu jointly
CT HK (Copper)	Period from 15 June 2009 (date of incorporation) to 31 December 2009	Morison Heng and Deloitte Touche Tohmatsu jointly

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Track Record Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the financial statements in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountants" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 below. No adjustments have been made by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation sets out in note 2 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2008 and 2009 and of the Group as at 31 December 2007, 2008 and 2009, and of the consolidated results and cash flows of the Group for each of the years then ended.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*8*	1,798,332	2,505,168	2,339,243
Cost of sales	*9*	(1,683,399)	(2,740,007)	(1,784,806)
Gross profit (loss)		114,933	(234,839)	554,437
Other income	*10*	1,217	8,501	5,711
Other gains and losses	*11*	23,710	37,050	98,200
Distribution costs		(709)	(1,700)	(1,757)
Administrative expenses		(14,799)	(28,137)	(34,917)
Other expenses		–	(10,575)	(5,657)
Finance costs	*12*	(18,431)	(41,598)	(28,823)
Profit (loss) before tax	*13*	105,921	(271,298)	587,194
Income tax (expense) credit	*15*	(22,958)	71,166	(167,540)
Profit (loss) for the year		82,963	(200,132)	419,654
Other comprehensive income				
Exchange difference arising on translation to presentation currency		17,540	11,658	3,481
Total comprehensive income (expense) for the year		100,503	(188,474)	423,135
		HK Cents	*HK Cents*	*HK Cents*
Earnings (loss) per share – basic	*17*	11.06	(26.68)	55.95

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*18*	110,973	132,269	135,284
Prepaid lease payments	*19*	35,440	36,798	35,962
Deposits paid for acquisition of property, plant and equipment		–	2,825	4,150
Deferred tax assets	*29*	–	81,545	–
		146,413	253,437	175,396
CURRENT ASSETS				
Inventories	*20*	324,092	569,808	1,167,437
Trade and other receivables	*21*	283,727	160,157	188,826
Bills receivables	*22*	1,712	2,999	1,365
Prepaid lease payments	*19*	807	858	858
Amount due from a related party	*23*	–	313	371
Derivative financial instruments	*24*	–	67	1,072
Tax recoverable		–	42,250	–
Pledged bank deposits	*25*	–	16,292	241,440
Restricted bank deposits	*25*	2,570	20,491	5,535
Bank balances and cash	*25*	20,113	44,174	69,428
		633,021	857,409	1,676,332
CURRENT LIABILITIES				
Trade and other payables	*26*	25,745	94,860	136,605
Bills payables	*27*	–	91,593	114,126
Amounts due to related parties	*23*	145,606	411,093	93,205
Derivative financial instruments	*24*	357	17,785	1,603
Tax payable		1,373	–	44,119
Bank borrowings	*28*	422,916	500,552	799,046
		595,997	1,115,883	1,188,704
NET CURRENT ASSETS (LIABILITIES)		37,024	(258,474)	487,628
TOTAL ASSETS LESS CURRENT LIABILITIES		183,437	(5,037)	663,024

		At 31 December		
		2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES				
Share capital	*30*	10	–	–
Share premium and reserves		183,427	(5,037)	418,098
TOTAL EQUITY		183,437	(5,037)	418,098
NON-CURRENT LIABILITIES				
Deferred tax liabilities	*29*	–	–	21,218
Amounts due to related parties	*23*	–	–	223,708
		–	–	244,926
		183,437	(5,037)	663,024

STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSET				
Investment in a subsidiary	*35*	–	–	–
		–	–	–
CURRENT LIABILITIES				
Accruals		–	–	325
Amount due to a subsidiary	*35*	–	10,642	16,784
Amount due to a related party	*23*	–	–	–
		–	10,642	17,109
NET CURRENT LIABILITIES		–	(10,642)	(17,109)
TOTAL ASSETS LESS CURRENT LIABILITIES		–	(10,642)	(17,109)
CAPITAL AND RESERVES				
Share capital	*30*	–	–	–
Accumulated losses	*37*	–	(10,642)	(17,109)
TOTAL EQUITY		–	(10,642)	(17,109)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory general reserve HK$'000	Enterprise expansion fund HK$'000	Foreign currency translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 January 2007	10	6,542	–	4,817	4,817	9,941	56,807	82,934
Profit for the year	–	–	–	–	–	–	82,963	82,963
Exchange difference arising on translation to presentation currency	–	–	–	–	–	17,540	–	17,540
Total comprehensive income for the year	–	–	–	–	–	17,540	82,963	100,503
Transfer of reserves	–	–	–	6,217	6,217	–	(12,434)	–
At 31 December 2007	10	6,542	–	11,034	11,034	27,481	127,336	183,437
Loss for the year	–	–	–	–	–	–	(200,132)	(200,132)
Exchange difference arising on translation to presentation currency	–	–	–	–	–	11,658	–	11,658
Total comprehensive expense for the year	–	–	–	–	–	11,658	(200,132)	(188,474)
Effect of the Group Reorganisation	(10)	(6,542)	6,552	–	–	–	–	–
Transfer of reserves	–	–	–	3,380	3,380	–	(6,760)	–
At 31 December 2008	–	–	6,552	14,414	14,414	39,139	(79,556)	(5,037)
Profit for the year	–	–	–	–	–	–	419,654	419,654
Exchange difference arising on translation to presentation currency	–	–	–	–	–	3,481	–	3,481
Total comprehensive income for the year	–	–	–	–	–	3,481	419,654	423,135
Transfer of reserves	–	–	–	17,722	17,722	–	(35,444)	–
At 31 December 2009	–	–	6,552	32,136	32,136	42,620	304,654	418,098

Statutory general reserve and enterprise expansion fund represent the appropriation of 10% of profit after taxation determined based on the relevant accounting rules and regulations of the PRC as required by the Articles of Association of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory general reserve and enterprise expansion fund has reached 50% of the PRC subsidiaries' registered capital.

The capital reserve of the Group represents the difference between the nominal value of the aggregate share capital and share premium of the subsidiaries acquired by the Company upon the Group Reorganisation and the nominal value of the Company's shares issued in exchange.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit (loss) before tax	105,921	(271,298)	587,194
Adjustments for:			
Write-down (reversal) of inventories	–	308,613	(308,613)
Interest income	(186)	(7,151)	(2,415)
Net foreign exchange (gains) losses	(18,622)	(46,040)	585
Finance costs	18,431	41,598	28,823
Depreciation of property, plant and equipment	6,363	7,502	7,642
Amortisation of prepaid lease payments	773	847	859
(Gain) loss on disposal of property, plant and equipment	–	(131)	16
Operating cash flows before movements in working capital	112,680	33,940	314,091
Increase in inventories	(23,423)	(534,066)	(288,665)
(Increase) decrease in trade and other receivables	(143,333)	141,303	(28,570)
Decrease (increase) in bills receivables	3,907	(1,180)	1,636
Increase (decrease) in derivative financial instruments	357	17,339	(17,198)
(Decrease) increase in trade and other payables	(1,285)	67,655	41,993
Increase in bills payables	–	91,593	22,477
Decrease in amounts due to related parties	(17,791)	(34,272)	–
Cash (used in) from operations	(68,888)	(217,688)	45,764
Interest paid	(17,604)	(41,162)	(27,211)
Tax paid	(26,761)	(61,425)	(23,305)
Tax refunded	–	7,265	44,971
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(113,253)	(313,010)	40,219

	Year ended 31 December		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Increase in pledged bank deposits	–	(16,292)	(225,138)
Purchase of and deposit paid for property, plant and equipment	(30,287)	(27,818)	(12,049)
Advance to related parties	–	(313)	(58)
Payment of prepaid lease payments	(2,015)	–	–
(Increase) decrease in restricted bank deposits	(2,570)	(17,760)	14,969
Interest received	186	7,151	2,415
Proceeds from sales of property, plant and equipment	–	2,956	135
NET CASH USED IN INVESTING ACTIVITIES	(34,686)	(52,076)	(219,726)
FINANCING ACTIVITIES			
New bank borrowings raised	1,121,848	2,070,850	1,926,440
Repayment of bank borrowings	(877,313)	(1,973,616)	(1,625,354)
(Repayment to) advance from related parties	(85,576)	290,655	(96,352)
NET CASH FROM FINANCING ACTIVITIES	158,959	387,889	204,734
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,020	22,803	25,227
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	8,480	20,113	44,174
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	613	1,258	27
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	20,113	44,174	69,428

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands. The Company's registered office is located at Criket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business is located at Taizhou Industrial Zone of Metal Recycling Fengjiang Luqiao Taizhou, Zhejiang, the PRC.

The Company is an investment holding company. The Group is principally engaged in processing and sales of metal scrap.

The functional currency of the Company and its subsidiaries is Renminbi ("RMB"). The Financial Information is presented in Hong Kong dollars ("HK$") because the Company intends to be listed on the Stock Exchange and most of its potential investors are located in Hong Kong.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Group Reorganisation, which was completed on 27 August 2008 by interspersing the Company and CT International between the shareholders and Hefast, the Company became the ultimate holding company of the companies now comprising the Group.

The consolidated statements of comprehensive income and consolidated statements of cash flows which include the results and cash flows of the companies now comprising the Group for the Track Record Period, have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or acquisition where this is a shorten period.

The consolidated statements of financial position as at the end of each reporting period have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taking into account the effective date of incorporation or acquisition.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and Interpretations ("HK(IFRIC)s") (herein collectively referred to as "new HKFRSs"), which are effective for the accounting periods beginning on 1 January 2009.

At the date of this report, the following new and revised standards, amendments and interpretations have been issued which are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[8]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013
8 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the parent's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which confirm to HKFRSs issued by the HKICPA. These policies have been consistently applied throughout the Track Record Period. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of comprehensive income in the year in which the item is derecognised.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are stated at cost and amortised on a straight-line basis over the lease terms. Prepaid lease payments which are to be amortised in the next twelve months or less are classified as current assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of Group's entities are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other year and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in consolidated statement of comprehensive income, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of comprehensive income.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and financial assets at fair value through profit or loss. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables, amounts due from related parties, pledged bank deposits, restricted bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Financial assets at fair value through profit or loss

The Group's financial assets classified as financial assets at fair value through profit or loss are derivatives that are not designated and effective as hedging instruments.

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised directly in consolidated statement of comprehensive income in the period in which they arise.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, an objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Financial assets such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated statement of comprehensive income. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to consolidated statement of comprehensive income.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

The Group's financial liabilities classified as financial liabilities at fair value through profit or loss are derivatives that are not designated and effective as hedging instruments.

At the end of each reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, bills payables, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives not designated and effective as hedging instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of each reporting period. The resulting gain or loss is recognised in consolidated statement of comprehensive income immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in consolidated statement of comprehensive income.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of comprehensive income.

Government grants

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Provision for inventories

Management of the Group reviews the inventories listing on a category-by-category basis at the end of each reporting period, and assesses whether the cost of the finished products will exceed their net realisable value. Management estimates the net realisable value for such inventories based primarily on the latest resale value and quoted prices on applicable commodity exchanges. If the market price of inventories are to decline, additional provision may be required. All the Group's inventories were stated at cost in the consolidated statements of financial position at the end of each reporting period except that the Group's inventories at 31 December 2008 were stated at net realisable value.

6. CAPITAL RISK MANAGEMENT

The Group and the Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group and the Company's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes bank borrowings, amounts due to related companies, and equity attributable to owners of the Company, comprising capital and various reserves.

The capital structure of the Company consists of debt, which includes amounts due to a subsidiary and a related party, and equity attributable to owners of the Company, comprising capital and accumulated losses.

The directors of the Company review the capital structure periodically. The directors of the Company also balance the overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. No changes were made in the objectives, policies or processes during the Track Record Period.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
The Group			
Financial assets			
Derivative financial instruments	–	67	1,072
Loans and receivables (including cash and cash equivalents)	46,337	110,363	387,925
Financial liabilities			
Derivative financial instruments	357	17,785	1,603
Amortised cost	571,672	1,070,404	1,345,702
The Company			
Financial liabilities			
Amortised cost	–	10,642	16,884

7b. Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, bills receivables, amounts due from (to) related parties, derivative financial instruments, pledged bank deposits, restricted bank deposits, bank balances and cash, trade and other payables, bills payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has foreign currency sales, purchases, bank balances and cash, amounts due to related parties and bank borrowings, which expose the Group to market risk arising from changes in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However management closely monitors its foreign currency risk exposure and enters into foreign currency forward contracts should the need arise.

The carrying amounts of the Group's monetary assets, monetary liabilities and derivative financial liability denominated in United States Dollars ("USD") and Euro ("EUR") at the end of each reporting period are as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Monetary assets			
USD	1,434	1,824	68,294
EUR	–	5,753	435
Monetary liabilities			
USD	526,629	497,873	945,557
EUR	–	7,589	1,241
Derivative financial liability			
USD	–	–	1,603

Sensitivity analysis

A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel because it represents management's assessment of the possible change in USD and EUR against RMB rate. On the basis of the above assets and liabilities denominated in USD and EUR at the end of each reporting period, and assuming all other variables remain unchanged, a 5% weakening of the USD and EUR against RMB throughout the relevant year would give rise to an exchange gain and an increase in profit/a decrease in loss for the year in the following magnitude, and vice versa:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Monetary assets and liabilities			
USD	18,665	20,033	33,679
EUR	–	77	34
Derivative financial liability			
USD	–	–	60

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Track Record Period.

Other than USD and EUR, the Group does not have any other major exposure to foreign currency risk.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits, variable-rate bank borrowings and amounts due to related parties.

The Group's fair value interest rate risk relates primarily to its fixed-rate pledged bank deposits, bank borrowings and amounts due to related parties. It is the Group's policy to maintain a majority of borrowings at fixed rate of interest so as to reduce the cash flow interest rate risk.

The Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, management monitors the Group's related interest rate exposure closely and will consider hedging significant interest rate exposure when the need arises.

Sensitivity analysis

The carrying amounts of the Group's monetary liabilities which carried variable interest rates at the end of each reporting period are as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Liabilities	31,186	181,595	314,820

The sensitivity analysis below have been determined based on the exposure to risk of interest rate changes for variable-rate bank borrowings and amounts due to related parties at the end of each reporting period and management considers that such exposure for variable-rate bank deposits is minimal as the amount involved is not significant.

A 100 basis points increase or decrease is used when reporting interest risk internally to key management personnel because it represents management's assessment of the possible change in interest rate.

If interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit/loss for the year would be decreased/increased by the following magnitude, and vice versa:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Decrease in profit/increase in loss	209	1,487	2,492

(iii) Other price risk

The Group is exposed to price risk through its investment in copper and aluminium future contracts.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk of copper and aluminium at the end of each reporting period. If the quote price of the copper and aluminium had been 5% higher, the Group's profit/loss for the year would be increased/decreased by the following magnitude, and vice versa:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Increase in profit/decrease in loss	797	5,901	1,077

In management's opinion, the sensitivity analysis is unrepresentative of the inherent other price risk as the year end exposure does not reflect the exposure during the Track Record Period.

Credit risk

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

There was no significant concentration of credit risk as the Group's financial assets spread over a number of counterparties and customers.

Liquidity risk

The objective of the Group and the Company is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings as well as advances from related parties.

The following table details the Group and the Company's remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group and the Company can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity and interest risk tables

The Group

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Total carrying value at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2007							
Non-derivative financial liabilities							
Trade and other payables	–	3,150	–	–	–	3,150	3,150
Amounts due to related parties							
– non-interest bearing	–	145,606	–	–	–	145,606	145,606
Bank borrowings							
– fixed rate	6.37	24,613	133,865	243,940	–	402,418	391,730
– variable rate	6.74	173	31,358	–	–	31,531	31,186
		173,542	165,223	243,940	–	582,705	571,672
Derivatives – net settlement							
Copper future contracts	–	–	357	–	–	357	357

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Total carrying value at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008							
Non-derivative financial liabilities							
Trade and other payables	–	66,036	969	161	–	67,166	67,166
Bills payables							
– interest bearing	2.58	23,428	–	–	–	23,428	23,379
– non-interest bearing	–	68,214	–	–	–	68,214	68,214
Amounts due to related parties							
– fixed rate interest bearing	2.52	4,609	5,708	77,264	–	87,581	85,655
– variable rate interest bearing	2.42	143,415	–	–	–	143,415	143,130
– non-interest bearing	–	182,308	–	–	–	182,308	182,308
Bank borrowings							
– fixed rate	6.11	29,249	55,394	392,895	–	477,538	462,087
– variable rate	6.12	32,722	5,872	–	–	38,594	38,465
		549,981	67,943	470,320	–	1,088,244	1,070,404
Derivatives – net settlement							
Copper future contracts	–	–	–	17,785	–	17,785	17,785

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Total carrying value at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2009							
Non-derivative financial liabilities							
Trade and other payables	–	78,835	27,105	9,677	–	115,617	115,617
Bills payable							
– interest bearing	2.44	8,556	58	14,637	–	23,251	23,118
– non-interest bearing	–	22,752	45,504	22,752	–	91,008	91,008
Amounts due to related parties							
– variable rate interest bearing	1.25	26,651	230	1,056	111,854	139,791	138,376
– non-interest bearing	–	66,683	–	–	111,854	178,537	178,537
Bank borrowings							
– fixed rate	3.58	180,268	123,287	324,365	–	627,920	622,602
– variable rate	1.69	16,014	418	161,586	–	178,018	176,444
		399,759	196,602	534,073	223,708	1,354,142	1,345,702
Derivatives – gross settlement							
Foreign currency forward contracts							
– inflow	–	–	4,725	152,091	–	156,816	156,816
– outflow	–	–	(4,750)	(153,669)	–	(158,419)	(158,419)
		–	(25)	(1,578)	–	(1,603)	(1,603)

The Company

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Total carrying value at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008							
Amount due to a subsidiary							
– non-interest bearing	–	10,642	–	–	–	10,642	10,642
At 31 December 2009							
Amount due to a subsidiary							
– non-interest bearing	–	16,884	–	–	–	16,884	16,884

7c. Fair value

The fair value of financial assets and financial liabilities of the Group are determined as follows:

- the fair value of derivative financial instruments traded on active liquid markets are determined with reference to quoted market prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments at 31 December 2007, 2008 and 2009 that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

		31/12/2007	
	Level 1	**Level 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at FVTPL			
Derivative financial asset	–	–	–
Financial liabilities at FVTPL			
Derivative financial liability	357	–	357

		31/12/2008	
	Level 1	**Level 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at FVTPL			
Derivative financial asset	67	–	67
Financial liabilities at FVTPL			
Derivative financial liability	17,785	–	17,785

		31/12/2009	
	Level 1	**Level 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at FVTPL			
Derivative financial asset	1,072	–	1,072
Financial liabilities at FVTPL			
Derivative financial liability	–	1,603	1,603

There were no transfers between level 1 and level 2 during the Track Record Period.

8. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and receivable for the sales of metal scrap, net of sales related taxes, during the Track Record Period.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. The executive directors of the Company are identified as the CODM and they regularly review the internal report on gross profit derived from different business activities and different products to assess performance and allocate resources of the Group.

The Group is mainly engaged in the principal business of metal recycling, involving the recycling of mixed metal scrap into copper scrap, steel scrap, aluminium scrap, iron scrap and other metal scrap (collectively named as "Recycled Metal Products"). The Group is also engaged in the foundry business which involves the production and sale of aluminium-alloy ingots and copper rod and wire, and wholesales business which involves trading of other metal scrap. The operating segments are classified into three categories of business activities:

(i) metal recycling business;

(ii) foundry business; and

(iii) wholesales business.

Segment revenues and segment results

An analysis of the Group's reportable segment revenues and segment results by reportable segment is as below.

For the year ended 31 December 2007

	Metal recycling business					Foundry business		Wholesales business		
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap	Aluminium-alloy ingots	Copper rod and wire	Other metal scrap without processing	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE										
External Sales	1,096,057	323,881	87,550	88,059	64,878	137,907	–	–	–	1,798,332
Inter-segment sales	31,604	5,320	17,424	2,395	–	–	–	–	(56,743)	–
Total	1,127,661	329,201	104,974	90,454	64,878	137,907	–	–	(56,743)	1,798,332
Profit (loss) from external sales	75,485	20,844	6,406	5,700	(2,075)	8,573	–	–	–	114,933
Segment profit	66,921	18,474	6,980	4,398	987	6,930	–	–	10,243	114,933
Other income										1,217
Other gains and losses										23,710
Distribution costs										(709)
Administrative expenses										(14,799)
Other expenses										–
Finance costs										(18,431)
Profit before tax										105,921
Income tax expense										(22,958)
Profit for the year										82,963

For the year ended 31 December 2008

	Metal recycling business					Foundry business		Wholesales business		
	Copper scrap	**Steel scrap**	**Aluminium scrap**	**Iron scrap**	**Other metal scrap**	**Aluminium-alloy ingots**	**Copper rod and wire**	**Other metal scrap without processing**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE										
External Sales	1,407,523	542,351	59,376	134,958	160,351	179,923	–	20,686	–	2,505,168
Inter-segment sales	2,152	17	94,957	467	817	15,526	–	253,723	(367,659)	–
Total	1,409,675	542,368	154,333	135,425	161,168	195,449	–	274,409	(367,659)	2,505,168
Profit (loss) from external sales	(132,113)	(33,563)	(15,890)	(51,327)	(9,901)	7,469	–	486	–	(234,839)
Segment profit (loss)	(134,647)	(34,605)	(16,008)	(51,501)	(10,127)	5,661	–	32,295	(25,907)	(234,839)
Other income										8,501
Other gains and losses										37,050
Distribution costs										(1,700)
Administrative expenses										(28,137)
Other expenses										(10,575)
Finance costs										(41,598)
Loss before tax										(271,298)
Income tax credit										71,166
Loss for the year										(200,132)

For the year ended 31 December 2009

	Metal recycling business					Foundry business		Wholesales business		
	Copper scrap	**Steel scrap**	**Aluminium scrap**	**Iron scrap**	**Other metal scrap**	**Aluminium-alloy ingots**	**Copper rod and wire**	**Other metal scrap without processing**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE										
External Sales	1,164,966	490,246	52,280	114,271	32,671	189,988	180,649	114,172	–	2,339,243
Inter-segment sales	15,009	1,481	122,091	–	2,495	25,776	–	1,072,181	(1,239,033)	–
Total	1,179,975	491,727	174,371	114,271	35,166	215,764	180,649	1,186,353	(1,239,033)	2,339,243
Profit from external sales	327,450	70,149	22,816	50,218	26,474	14,651	38,163	4,516	–	554,437
Segment profit	314,858	58,833	32,942	47,366	28,427	16,048	38,041	88,883	(70,961)	554,437
Other income										5,711
Other gains and losses										98,200
Distribution costs										(1,757)
Administrative expenses										(34,917)
Other expenses										(5,657)
Finance costs										(28,823)
Profit before tax										587,194
Income tax expense										(167,540)
Profit for the year										419,654

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment profit (loss) represents the profit (loss) resulted in each segment without allocation of other income, other gains and losses, distribution costs, administrative expenses, other expenses and finance costs. This is the measure reporting to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and segment liabilities

Information on segment assets and segment liabilities of the Group are not reviewed by the CODM for the purpose of resource allocation and performance assessment nor otherwise regularly provided to the CODM. As a result, no analysis of segment assets and segment liabilities are presented.

Geographical information

Over 90% of external revenues of the Group during the Track Record Period are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. Majority of the Group's non-current assets other than deferred tax assets are located in the PRC.

Information about major customers

During the year ended 31 December 2007, revenue from transactions with a single external customer of the Group (involving each of operating segments in the Recycled Metal Products Category) contributed to approximately 10% of the Group's revenue for that year and amounted to approximately HK$180,000,000. No individual customer contributed to more than 10% of the Group's revenue for each of the two years ended 31 December 2009.

9. COST OF SALES

Included in cost of sales are the following write-down (reversal) of inventories:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Write-down (reversal) of inventories	–	308,613	(308,613)

Management assesses whether the cost of inventories exceed their net realisable value at the end of each reporting period. Management estimates the net realisable value for inventories with reference to the ask price of metal scrap in the relevant markets and the quoted prices of metal on applicable commodity exchanges at the end of each reporting period. As at 31 December 2008, because the market prices of the commodities had dropped significantly as compared with the purchase price of certain inventories held, a provision of approximately HK$308,613,000 was recorded.

All the Group's inventories were stated at cost in the consolidated statements of financial position at the end of each reporting period except that the Group's inventories at 31 December 2008 were stated at net realisable value.

10. OTHER INCOME

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Interest income	186	7,151	2,415
Rental income for a temporary lease	–	–	2,121
Government subsidies *(note)*	551	1,037	1,137
Others	480	313	38
	1,217	8,501	5,711

note: The Group received unconditional government grants from the local municipal government as an encouragement of the development and advancement of business.

11. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Gain (loss) from changes in fair value of derivative financial instruments *(note)*	5,088	(8,575)	99,047
Net foreign exchange gains (losses)	18,622	46,040	(585)
Impairment loss recognised in respect of trade receivables	–	(546)	(247)
Gain (loss) on disposal of property, plant and equipment	–	131	(15)
	23,710	37,050	98,200

note: The amounts for each of the years ended 31 December 2009 were derived from copper and aluminium future contracts and foreign currency forward contracts.

12. FINANCE COSTS

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
– bank borrowings wholly repayable within five years	17,870	39,700	24,022
– Amounts due to related parties	561	1,898	4,801
	18,431	41,598	28,823

13. PROFIT (LOSS) BEFORE TAX

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) before tax has been arrived at after charging:			
Directors' emoluments *(Note 14)*	371	309	836
Other staff costs	20,379	60,351	59,862
Retirement benefit scheme contributions, excluding those of directors	576	649	699
Total staff costs	21,326	61,309	61,397
Cost of inventories recognised as an expense	1,683,399	2,740,007	1,784,806
Depreciation of property, plant and equipment	6,363	7,502	7,642
Amortisation of prepaid lease payments	773	847	857
Auditors' remuneration	540	734	826

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid by the Group to the directors of the Company for the Track Record Period are as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Fee	–	–	–
Salaries and other allowances	369	293	818
Retirement benefit scheme contributions	2	16	18
	371	309	836
Executive directors:			
Mr. Stephanus Maria van Ooijen ("Mr. van Ooijen")	–	–	–
Mr. Fang	371	222	490
Mr. Gu Liyong	–	87	346
Non-executive director:			
Mr. Ralph Sytze Ybema	–	–	–
	371	309	836

Employees

The five highest paid individuals of the Group included one, one and two directors, respectively, for each of the year ended 31 December 2007, 2008 and 2009, details of their emoluments are set out above. The emoluments of the remaining four, four and three individuals, for the respective years are as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other allowances	500	327	984
Retirement benefit scheme contributions	9	27	32
	509	354	1,016

The emoluments for each of the five highest paid individuals were below HK$1,000,000.

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

No remuneration was paid to the independent non-executive directors during the Track Record Period. Moreover, Mr. van Ooijen and Mr. Ralph Sytze Ybema did not receive any emoluments during the Track Record Period because:

(i) Mr. van Ooijen has a beneficial interest in the Group and his contribution is compensated by the capital appreciation of the Group in lieu of emoluments.

(ii) Mr. Ralph Sytze Ybema was appointed as a director of the Company in August 2008 and he has agreed to receive emolument only upon completion of the listing of shares of the Company on the Stock Exchange (the "Listing").

15. INCOME TAX (EXPENSE) CREDIT

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Enterprise income tax (expense) credit in the PRC			
Current tax for the year	(22,768)	(10,379)	(64,540)
Underprovision of current tax in prior years	(190)	–	(237)
Deferred tax *(Note 29)*	–	81,545	(102,763)
	(22,958)	71,166	(167,540)

PRC

CT Metals was subject to PRC Foreign Enterprise Income Tax ("FEIT") at rate of 33% for the year ended 31 December 2007.

CT Foundry is an approved foreign investment enterprise engaging in processing of metal scrap and was eligible to a preferential FEIT rate of 24%, together with local tax of 2.4%, for the period prior to 1 January 2008. Pursuant to the relevant laws and regulations in the PRC, CT Foundry was entitled to exemption from FEIT for two years starting from its first profit-making year, followed by a 50% reduction of tax for the three years thereafter ("Tax Holiday"). The first profit making year of CT Foundry was the year of 2004. Accordingly, the applicable FEIT rate for 2007 was 12%, together with local tax of 1.2%.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New EIT Law. In February 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circulars which clarify the implementation of the New EIT Law. Under the New EIT Law, Implementation Regulation and tax circulars, PRC Enterprise Income Tax ("EIT") rate applicable to CT Metals changed from 33% to 25% from 1 January 2008 onwards. For CT Foundry, according to the transition arrangement under the New EIT Law, it can continue to enjoy the Tax Holiday. Therefore, the actual EIT rates for 2008 and 2009 were 12.5% and 25% respectively.

CT Metals (Ningbo) and CT Copper (Ningbo) were subject to EIT at the rate of 25% for the Track Record Period.

Hong Kong

All the Hong Kong subsidiaries are subject to Hong Kong Profits Tax at the rate of 17.5% for the year ended 31 December 2007 and at the rate of 16.5% thereafter on their respective estimated assessable profits.

The tax expense (credit) for the Track Record Period can be reconciled to the profit (loss) before tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) before tax	105,921	(271,298)	587,194
Tax at applicable tax rates *(note i)*	31,982	(68,927)	144,524
Tax effect of expenses not deductible for tax purpose *(note ii)*	209	2,868	2,510
Tax effect of incomes not taxable for tax purpose *(note iii)*	(2,528)	(2,534)	(949)
Effect of tax exemption	(1,462)	(1,015)	–
Tax refund/credit to the Group *(note iv)*	(5,433)	(1,558)	–
Deferred tax provided on dividends withholding tax on PRC subsidiaries	–	–	21,218
Under provision in prior years	190	–	237
Tax expense (credit) for the year	22,958	(71,166)	167,540

notes:

(i) As the Group operates in different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated and presented.

(ii) The amount for the year ended 31 December 2007 mainly represents operating expenses of a company without assessable profit. The amounts for the years ended 31 December 2008 and 2009 mainly represent legal and professional fees. They were not deductible for tax purpose under the relevant tax jurisdictions.

(iii) The amount for the year ended 31 December 2007 mainly represents procurement service income. The amounts for the years ended 31 December 2008 and 2009 mainly represent exchange gain. They were not assessable for tax purpose under the relevant tax jurisdictions.

(iv) The amounts for the years ended 31 December 2007 and 2008 represent tax refund/credit to the Group as a result of its acquisition of plant and equipment in the PRC and its reinvestment of profits in a PRC subsidiary, respectively.

There was no significant unprovided deferred tax during the Track Record Period or at the end of each reporting period.

16. DIVIDENDS

During the Track Record Period, no dividend was paid or declared by the Company or by any of the companies now comprising the Group.

17. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the Track Record Period is based on the following data:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) for the year attributable to owners of the Company for the purposes of basic earnings (loss) per share	82,963	(200,132)	419,654
Number of ordinary shares for the purpose of basic earnings per share	750,000,000	750,000,000	750,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the Track Record Period has been retrospectively adjusted for the issue of shares as described more fully in Note 2 to Section C below.

No diluted earnings (loss) per share are presented for the Track Record Period as there were no potential ordinary shares in issue.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Office furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 January 2007	69,030	17,085	1,548	2,377	6,107	96,147
Exchange realignment	4,323	1,562	134	179	1,444	7,642
Additions	–	5,237	490	146	24,414	30,287
Transfers	–	2,030	–	–	(2,030)	–
At 31 December 2007	73,353	25,914	2,172	2,702	29,935	134,076
Exchange realignment	4,000	1,636	168	163	2,071	8,038
Additions	–	6,692	2,775	–	15,526	24,993
Disposals	–	(5,465)	(287)	(494)	–	(6,246)
At 31 December 2008	77,353	28,777	4,828	2,371	47,532	160,861
Exchange realignment	60	40	3	2	(2)	103
Additions	–	1,787	478	101	8,361	10,727
Transfers	18,400	21,192	–	–	(39,592)	–
Disposals	–	(77)	(93)	–	–	(170)
At 31 December 2009	95,813	51,719	5,216	2,474	16,299	171,521
DEPRECIATION						
At 1 January 2007	8,400	4,913	595	1,517	–	15,425
Exchange realignment	672	466	55	122	–	1,315
Provided for the year	3,323	2,460	259	321	–	6,363
At 31 December 2007	12,395	7,839	909	1,960	–	23,103
Exchange realignment	729	493	63	123	–	1,408
Provided for the year	3,636	2,997	608	261	–	7,502
Disposals	–	(2,745)	(231)	(445)	–	(3,421)
At 31 December 2008	16,760	8,584	1,349	1,899	–	28,592
Exchange realignment	13	8	2	–	–	23
Provided for the year	3,675	2,926	934	107	–	7,642
Disposals	–	(11)	(9)	–	–	(20)
At 31 December 2009	20,448	11,507	2,276	2,006	–	36,237
CARRYING VALUE						
At 31 December 2007	60,958	18,075	1,263	742	29,935	110,973
At 31 December 2008	60,593	20,193	3,479	472	47,532	132,269
At 31 December 2009	75,365	40,212	2,940	468	16,299	135,284

Certain owner-occupied leasehold property interests of HK$8,006,000, HK$7,537,000 and HK$7,069,000 at 31 December 2007, 2008 and 2009, respectively, are included in land and buildings, as in the opinion of the directors of the Company, allocations between the land and buildings elements could not be made reliably. The building is situated in Hong Kong and held under medium-term lease.

The property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives, after taking into account their residual value, as follows:

Land and buildings	20 years or the relevant lease term, whichever is shorter
Plant and machinery	9% – 18%
Office furniture and equipment	9% – 18%
Motor vehicles	9% – 18%

As at 31 December 2007, 2008 and 2009, certain buildings with carrying amount of HK$2,637,000, HK$48,329,000 and HK$50,384,000, respectively, were pledged as security for bank borrowings granted to the Group.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold lands situated in the PRC held under medium term leases and are analysed for reporting purposes as:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Current asset	807	858	858
Non-current asset	35,440	36,798	35,962
	36,247	37,656	36,820

As at 31 December 2007, 2008 and 2009, prepaid lease payments with carrying amount of HK$18,029,000, HK$14,774,000 and HK$36,820,000, respectively, were pledged as security for bank borrowings granted to the Group.

20. INVENTORIES

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	176,743	492,194	892,824
Less: provision for inventories	–	(152,190)	–
	176,743	340,004	892,824
Finished goods	147,349	386,227	274,613
Less: provision for inventories	–	(156,423)	–
	147,349	229,804	274,613
	324,092	569,808	1,167,437

All raw materials and finished goods as at 31 December 2008 were carried at net realisable value. The inventories as at 31 December 2007 and 2009 were stated at cost.

21. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers a credit period of 30 to 90 days. A longer credit period may be granted to trade customers with good credit quality upon the approval of management. An aged analysis of the Group's trade receivables at the end of each reporting period, net of allowance for doubtful debts and based on the invoice date, are as follows:

		At 31 December	
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables:			
0 – 30 days	9,386	10,133	45,805
31 – 60 days	3,786	4,005	13,248
61 – 90 days	2,747	2,845	1,161
91 – 180 days	1,348	5,512	5,104
Over 181 days	2,274	1,361	564
	19,541	23,856	65,882
Other receivables:			
Deposits and prepayments	22,762	34,272	51,852
Deposits paid for purchase of raw materials *(note)*	209,739	3,690	51,774
Rental receivable	–	–	2,123
VAT recoverable	29,284	96,101	15,413
Others	2,401	2,238	1,782
	264,186	136,301	122,944
	283,727	160,157	188,826

note: Included in the balance at 31 December 2007 were purchase deposits of approximately HK$48,718,000 paid to Delco Asia Company Limited ("Delco Asia"), which was a shareholder of Hefast up to 27 August 2008. Mr. van Ooijen, a director of the Company, was a director and a shareholder of Delco Asia during the Track Record Period.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits to customers are reviewed regularly. With reference to the track records of these customers, the directors consider all trade receivables at the end of each reporting period are of good credit quality.

Included in the trade receivable balance are the following past due debts for which no impairment loss has been provided:

Ageing of trade receivables which are past due but not impaired

		At 31 December	
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
31 – 60 days	1,265	–	1,463
61 – 90 days	1,290	–	142
91 – 180 days	660	5,512	660
Over 181 days	250	1,361	53
	3,465	6,873	2,318

The Group did not hold any collateral against the above amounts. However, management believes that these amounts are still recoverable because there has not been an adverse change in the relevant entities' credit quality.

Movement in the allowance for doubtful debts

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	–	–	553
Impairment losses recognised on receivables	–	546	247
Amounts written off during the year as uncollectible	–	–	(247)
Foreign exchange difference	–	7	1
Balance at end of year	–	553	554

Trade and other receivables that were denominated in currency other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
USD	910	–	31,598
EUR	–	–	77

22. BILLS RECEIVABLES

Aged analysis of the Group's bills receivables at the end of each reporting period, based on their invoice dates, are as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	321	568	1,365
31 – 60 days	107	896	–
61 – 90 days	642	625	–
91 – 180 days	642	910	–
	1,712	2,999	1,365

23. AMOUNTS DUE FROM (TO) RELATED PARTIES

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
The Group			
Amount due from a related party			
Non-trade nature			
New Asset Holdings Limited ("New Asset") *(note i)*	–	313	371
Amounts due to related parties			
Trade nature			
Mr. Fang, his close members of the family and entities controlled by him *(notes ii and iii)*	(34,272)	–	–
Non-trade nature (note iv)			
Delco Asia			
– interest bearing at 3 months LIBOR+1% per annum	–	(143,130)	(138,376)
– non-interest bearing	(29,011)	(30,165)	(29,156)
Mr. Fang, his close members of the family and entities controlled by him *(note ii)*			
– interest bearing at 2.52% per annum	–	(85,655)	–
– non-interest bearing	(82,323)	(152,143)	(149,381)
	(111,334)	(411,093)	(316,913)
	(145,606)	(411,093)	(316,913)
Analysed as:			
Current liabilities	(145,606)	(411,093)	(93,205)
Non-current liabilities	–	–	(223,708)
	(145,606)	(411,093)	(316,913)

The amounts due to related parties that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
USD	141,163	312,789	138,455
EUR	–	15	–

notes:

(i) New Asset has a beneficial interest in the Company. The balances at 31 December 2008 and 2009 were the maximum amount outstanding during the respective year in the Track Record Period. The balance represents expenses paid by the Company on behalf of New Asset. In the opinion of the directors, the balance will be settled prior to the Listing and there will be no similar advances to New Asset after the Listing.

(ii) Mr. Fang is a director and a beneficial shareholder of the Company.

(iii) The balances were trade in nature with credit period of 30 days. They were aged within one year and interest-free.

(iv) These represent advances to finance the Group's operations. All the balances were unsecured. Other than certain amounts of HK$223,708,000 in aggregate, which are not repayable within one year from 31 December 2009 because the counterparties have agreed to extend the repayment date, all non-trade balances are repayable on demand, which, in the opinion of the directors of the Company will be fully repaid prior to the Listing.

The Company

Included in the balance at 31 December 2008 and 2009 is an amount due to Mr. Fang of HK$15 and HK$15, which is unsecured, interest-free and with no fixed repayment term.

24. DERIVATIVE FINANCIAL INSTRUMENTS

		Current	
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Derivative financial asset			
Copper and aluminium future contracts *(note i)*	–	67	1,072
Derivative financial liabilities			
Copper future contracts *(note i)*	357	17,785	–
Foreign currency forward contracts *(note ii)*	–	–	1,603
	357	17,785	1,603

notes:

(i) Copper and aluminium future contracts (net settlement)

During the Track Record Period, the Group entered into copper and aluminium future contracts in order to manage its inventory level and its exposure to the price risk of copper and aluminium. These contracts were actively traded in an active market and were measured at fair values based on unadjusted quoted price at the end of each reporting period, with gain or loss recognised directly in the consolidated statements of comprehensive income.

Major terms of the outstanding copper and aluminium future contracts at the end of each reporting period are set out below:

31 December 2007

Contract price	**Unit bought**	**Maturity**
Three contracts to buy copper ranging from RMB57,030 per tonne to RMB59,250 per tonne	300 tonne	15 March 2008

31 December 2008

Contract price	**Unit bought**	**Maturity**
Three contracts to buy copper ranging from RMB23,070 per tonne to RMB28,735 per tonne	5,300 tonne	From 16 March 2009 to 15 May 2009

31 December 2009

Contract price	**Unit bought**	**Maturity**
Two contracts to buy aluminium ranging from RMB16,098 per tonne to RMB16,396 per tonne	1,500 tonne	From 15 January 2010 to 15 March 2010

(ii) Foreign currency forward contracts (gross settlement)

During the Track Record Period, the Group entered into foreign currency forward contracts in order to minimize its exposure to the foreign currency risk. These contracts were measured at fair value using quoted forward exchange rates at the end of reporting period, with gain or loss recognised directly in the consolidated statements of comprehensive income.

Major terms of the foreign currency forward contracts are as follows:

31 December 2009

Notional amount	**Exchange rates**	**Maturity**
13 contracts to buy USD20,537,000 in total	USD1: RMB6.7423 to 6.8505	From 12 April 2010 to 18 November 2010

25. PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

At 31 December 2008 and 31 December 2009, the amounts represent deposits pledged to banks to secure general banking facilities of approximately HK$15,252,000 and HK$237,112,000 granted to the Group, respectively. The pledged bank deposits carry fixed interest rates as follows:

		At 31 December	
	2007	**2008**	**2009**
Interest rate per annum	N/A	4.14%	1.98% to 2.25%

Restricted bank deposits

These represent deposits placed with the financial institutions to secure the margin accounts of the Group for trading copper and aluminium futures in the relevant financial institutions. The restricted bank deposits are interest-free.

Bank balances and cash

These represent cash and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest rates as follows:

		At 31 December	
	2007	**2008**	**2009**
Interest rate per annum	0.72% to 1.15%	0.36% to 1.15%	0.36% to 1.15%

Pledged bank deposits, restricted bank deposits and bank balances and cash held in the PRC at 31 December 2007, 2008 and 2009 with an aggregate amount of HK$20,666,000, HK$79,395,000 and HK$316,402,000, respectively, were denominated in RMB and were subject to foreign exchange control.

Pledged bank deposits, restricted bank deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

		At 31 December	
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
USD	524	1,824	36,696
EUR	–	5,753	358

26. TRADE AND OTHER PAYABLES

The average credit period for trade purchases is 30 to 60 days.

An aged analysis of the Group's trade payables at the end of each reporting period, presented based on the invoice date, are as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables:			
0 – 30 days	2,673	62,514	64,630
31 – 60 days	–	413	18,519
61 – 90 days	–	555	8,780
91 – 180 days	–	161	8,020
Over 180 days	61	–	1,679
	2,734	63,643	101,628
Other payables:			
Other payables and accruals	14,113	17,543	23,512
Interest payable	788	1,224	918
Receipts in advance	8,110	12,450	10,547
	23,011	31,217	34,977
	25,745	94,860	136,605

Trade and other payables that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
USD	–	49,027	90,613
EUR	–	7,574	1,241

27. BILLS PAYABLES

An ageing analysis of the Group's bills payables at the end of each reporting period is as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	–	–	8,510
31 – 60 days	–	–	–
61 – 90 days	–	3,725	22,752
91 – 180 days	–	87,868	82,864
	–	91,593	114,126

Bills payables that are denominated in currency other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
USD	–	23,379	23,118

28. BANK BORROWINGS

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Fixed-rate borrowings:			
Secured bank loans	111,768	197,291	497,012
Unsecured bank loans	279,962	264,796	125,590
Variable-rate borrowings:			
Secured bank loans	–	33,954	160,639
Unsecured bank loans	31,186	–	–
Bank overdrafts	–	4,511	15,805
	422,916	500,552	799,046

The Group's variable-rate borrowings at the end of each reporting period are mainly subject to interest at London Interbank Offered Rate plus a spread, ranging from 0.6% to 3%, or 90% of The People's Bank of China Base Lending Rate.

The effective interest rates of the borrowings are as follows:

	At 31 December		
	2007	**2008**	**2009**
Effective interest rate:			
Fixed-rate borrowings	5.70% to 7.22%	4.5% to 7.56%	1.29% to 5.31%
Variable-rate borrowings	6.74%	6.12%	1.62% to 1.82%

The Group's borrowings that are denominated in currency other than the functional currency of the relevant group entities are as follows:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
USD	385,466	112,678	693,371

29. DEFERRED TAX

The deferred tax (assets) liabilities recognised by the Group and movements thereon during the Track Record Period are as follows:

	Inventories provision	Change in fair value of derivative financial instruments	Undistributed profits of subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007, 31 December 2007 and 1 January 2008	–	–	–	–
Credit to profit or loss for the year	(76,545)	(5,000)	–	(81,545)
At 31 December 2008	(76,545)	(5,000)	–	(81,545)
Charge to profit or loss for the year	76,545	5,000	21,218	102,763
At 31 December 2009	–	–	21,218	21,218

Under the New EIT Law, starting from 1 January 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned in year 2008 onwards to non-resident shareholders of the companies established in the PRC. For investors incorporated in Hong Kong, a preferential rate of 5% will be applied. Deferred tax has not been provided for in the Financial Information in respect of such withholding tax for the year ended 31 December 2008 due to the absence of undistributed profits in that year. For the year ended 31 December 2009, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have been recognised in the Financial Information was HK$424,360,000.

30. SHARE CAPITAL

	Number of shares	Amounts
		HK$
Authorised:		
Ordinary shares of HK$0.01 each on date of incorporation, 31 December 2008 and 31 December 2009	5,000,000	50,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
– Issue of shares upon incorporation on 15 May 2008	2	–
– Issue of shares to acquire CT International on 27 August 2008	98	1
Balance at 31 December 2008 and 2009	100	1

	HK$'000
Shown in the Financial Information at 31 December 2008 and 31 December 2009	–

For the purpose of the preparation of the consolidated statements of financial position, the balance of the share capital at 31 December 2007 represents the issued share capital of Hefast.

31. PLEDGE OF ASSETS

At the end of each reporting period, the Group had pledged the following assets to banks to secure the general banking facilities granted to the Group:

	At 31 December		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Buildings *(Note 18)*	2,637	48,329	50,384
Prepaid lease payments *(Note 19)*	18,029	14,774	36,820
Bank deposits *(Note 25)*	–	16,292	241,440
	20,666	79,395	328,644

In addition, certain of the Group's general banking facilities are also secured by personal guarantees provided by related parties as set out in Note 34.

32. CAPITAL COMMITMENTS

	At 31 December		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment	1,794	6,205	4,776

33. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

34. RELATED PARTY DISCLOSURES

(I) Transactions

During the Track Record Period, the Group had the following transactions with related parties:

		Year ended 31 December		
Name of related party	**Nature of transaction**	**2007**	**2008**	**2009**
		HK$'000	*HK$'000*	*HK$'000*
Delco Asia	Purchases of raw materials	501,559	525,775	–
	Management service income	480	–	–
	Interest expense	–	1,591	2,797
Mr. Fang and/or his close members of the family and entities controlled by him	Purchases of raw materials	153,307	–	–
	Interest expense	561	307	2,004
	Acquisition of CT HK *(note i)*	–	–	–
Delco Europe B.V. *(note ii)*	Purchasing support service fee expense	–	1,719	5,467

notes:

(i) On 11 March, 2008, the Group acquired the entire issued capital of CT HK from Mr. Fang for a consideration of HK$1 which was equivalent to CT HK's net asset value at that date.

(ii) Delco Europe became a subsidiary of the Company on 1 Janaury 2010. Further details are set out in Note 1 to Section C.

In the opinion of the directors, all the above related party transactions will be discontinued after the Listing.

(II) Balances

Details of balances with related parties are set out in Notes 21 and 23.

(III) Compensation of key management personnel

The directors of the Company and the five highest paid employees are identified as key management members of the Group, details of their compensation during the Track Record Period are set out in Note 14.

(IV) Other disclosure

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Personal guarantees provided by Mr. Fang and his close members of the family to the Group regarding banking facilities	330,864	875,220	449,921
Amount of the above facilities utilised by the Group	286,138	247,541	259,285

In the opinion of the directors, the personal guarantees provided by Mr. Fang and his close members of the family to the Group will be fully released prior to or upon the Listing.

35. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE TO A SUBSIDIARY

	At 31 December		
	2007	**2008**	**2009**
	HK$	*HK$*	*HK$*
Unlisted investment, at cost	–	16	16

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Shown in the Financial Information	–	–	–

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

36. OPERATING LEASES

The Group as lessee

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Minimum lease payments paid under operating leases during the period:			
Plant and machinery	–	–	45

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Year ended 31 December		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Within one year	–	–	227
In the second to fifth years inclusive	–	–	1,364
	–	–	1,591

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5 years with fixed rentals.

The Group as lessor

Rental income of subleasing a leasehold land in the PRC on a temporary basis during year ended 31 December 2009 was HK$2,121,000. The sublease was negotiated for one year.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Year ended 31 December		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Within one year	–	–	1,062

37. STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of share capital	–	–	–
Loss and total comprehensive expense for the year	–	(10,642)	(10,642)
At 31 December 2008	–	(10,642)	(10,642)
Loss and total comprehensive expense for the year	–	(6,467)	(6,467)
At 31 December 2009	–	(17,109)	(17,109)

B. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration has been provided or is payable by the Group to the directors of the Company in respect of the Track Record Period.

C. EVENTS AFTER THE REPORTING PERIOD

1. On 1 January 2010, the Group acquired 100% equity interest in Delco Europe from HPL and SVO for a consideration of EUR100 in cash which was equivalent to Delco Europe's net asset value as at that date. HPL and SVO are ultimately wholly owned by Mr. de Leeuw and Mr. van Ooijen, respectively, while HPL and SVO are the holding companies of certain shareholders of the Company. Accordingly, Delco Europe became a wholly owned subsidiary of the Company on 1 January 2010.

   Delco Europe was established in The Netherlands on 15 January 1985 as a limited liability company and it is principally engaged as a purchasing agent.

The underlying accounts and records of Delco Europe are maintained in accordance with the relevant accounting principles and financial regulations applicable in The Netherlands. For the purpose of this report, the directors of the Company have prepared financial information of Delco Europe for the Track Record Period in accordance with the accounting policies as set out in Note 4 to Section A above which conform with HKFRSs issued by the HKICPA, as follows:

(i) Statements of Comprehensive Income

		Year ended 31 December		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*(a)*	5,185	5,279	5,467
Operating costs		(4,173)	(5,216)	(4,685)
Gross profit		1,012	63	782
Other income	*(b)*	2,425	423	2,434
Other (losses) and gains		(7,291)	3,285	1,428
General and administrative expenses		(955)	(660)	(445)
Finance costs		(3,536)	(6,542)	(264)
Other expenses		(3,333)	(3,577)	(737)
(Loss) profit before tax	*(c)*	(11,678)	(7,008)	3,198
Income tax expense	*(d)*	(2,132)	(436)	(886)
(Loss) profit for the year		(13,810)	(7,444)	2,312
Other comprehensive income (expense)				
Exchange difference arising on translation to presentation currency		669	121	(157)
Total comprehensive (expense) income for the year		(13,141)	(7,323)	2,155

(ii) Statements of Financial Position

		As at 31 December		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSET				
Property, plant and equipment	*(e)*	565	564	853
CURRENT ASSETS				
Other receivables		320	62	1,177
Tax recoverable		–	2,254	–
Amounts due from related parties	*(f)*	55,330	61,549	–
Bank balances and cash		52,956	189	3,982
		108,606	64,054	5,159
CURRENT LIABILITIES				
Other payables	*(g)*	5,718	7,850	1,006
Amounts due to related parties	*(f)*	17,158	17,547	707
Unsecured short term bank borrowings	*(h)*	81,478	45,850	3,416
Tax payable		4,123	–	882
		108,477	71,247	6,011
NET CURRENT ASSETS (LIABILITIES)		129	(7,193)	(852)
TOTAL ASSETS LESS CURRENT LIABILITIES		694	(6,629)	1
CAPITAL AND RESERVES				
Share capital	*(i)*	126	126	126
Reserves		568	(6,755)	(125)
Total Equity		694	(6,629)	1

(iii) Statements of Changes in Equity

	Share capital	Accumulated profits (losses)	Foreign currency translation reserve	Capital reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	126	13,032	677	–	13,835
Loss for the year	–	(13,810)	–	–	(13,810)
Exchange difference arising on translation to presentation currency	–	–	669	–	669
At 31 December 2007	126	(778)	1,346	–	694
Loss for the year	–	(7,444)	–	–	(7,444)
Exchange difference arising on translation to presentation currency	–	–	121	–	121
At 31 December 2008	126	(8,222)	1,467	–	(6,629)
Profit for the year	–	2,312	–	–	2,312
Exchange difference arising on Translation to presentation currency	–	–	(157)	–	(157)
Capital contribution	–	–	–	4,475	4,475
At 31 December 2009	126	(5,910)	1,310	4,475	1

The capital contribution represents the waiver of loans by the two shareholders of Delco Europe on 31 December 2009.

(iv) Statements of Cash Flows

	Year ended 31 December 2007 HK$'000	2008 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax	(11,678)	(7,008)	3,198
Adjustments for:			
Interest income	(296)	(423)	(2,434)
Gain on disposal of property, plant and equipment	–	(343)	(52)
Write-off of receivables	–	169	–
Finance costs	3,536	6,542	264
Depreciation of property, plant and equipment	126	160	198
Operating cash flows before movements in working capital	(8,312)	(903)	1,174
Decrease (increase) in other receivables	8,661	89	(1,115)
(Increase) decrease in amounts due from related parties	(3,907)	5,995	41,278
(Decrease) increase in other payables	(577)	2,132	(6,844)
Cash (used in) from operations	(4,135)	7,313	34,493
Interest paid	(3,536)	(6,542)	(264)
Tax refunded	–	–	2,415
Tax paid	(14,728)	(6,813)	(161)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(22,399)	(6,042)	36,483
INVESTING ACTIVITIES			
Interest received	296	423	2,434
Purchase of property, plant and equipment	(80)	(419)	(761)
Proceeds from sales of property, plant and equipment	–	572	356
(Advance to) repayment from related parties	(3,186)	(12,214)	20,271
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,970)	(11,638)	22,300
FINANCING ACTIVITIES			
New bank borrowings raised (repayment of bank borrowings)	76,562	(35,628)	(42,434)
Advanced from (repayment to) related parties	1,695	389	(12,365)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	78,257	(35,239)	(54,799)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,888	(52,919)	3,984
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(5)	152	(191)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	73	52,956	189
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	52,956	189	3,982

(v) Explanatory notes:

(a) Revenue

Revenue represents the amount received and receivable for services rendered by Delco Europe, net of sales related tax, during the Track Record Period.

All of Delco Europe's revenue was derived from providing logistic services in The Netherlands to related companies and all of its non-current assets are located in The Netherlands.

(b) Other income

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Write off of other payables	2,129	–	–
Interest income	296	423	2,434
	2,425	423	2,434

(c) (Loss) profit before tax

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit before tax has been arrived at after charging:			
Staff costs, including directors' emoluments			
Salaries and other benefit costs	1,590	1,543	1,517
Retirement benefit scheme contributions	186	181	169
Depreciation of property, plant and equipment	126	160	198
and crediting:			
Gain on disposal of property, plant and equipment	–	343	52

(d) Income tax expense

Delco Europe was subject to The Netherlands Corporate Income Tax calculated at 20% of taxable income determined in accordance with the relevant laws and regulations in The Netherlands.

The tax expense for the Track Record Period can be reconciled to the (loss) profit before tax per the statements of comprehensive income as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit before tax	(11,678)	(7,008)	3,198
Tax at The Netherlands Corporate Income Tax rate of 20%	(2,336)	(1,402)	640
Tax effect of expenses not deductible for tax purposes	582	1,838	246
Under provision in prior year	2,132	–	–
Tax effect of tax losses not recognised	1,754	–	–
Tax expense for the year	2,132	436	886

(e) Property, plant and equipment

	Furniture and equipments *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
COST			
At 1 January 2007	1,488	587	2,075
Additions	80	–	80
Exchange realignment	167	64	231
At 31 December 2007	1,735	651	2,386
Additions	94	325	419
Disposal	(17)	(280)	(297)
Exchange realignment	(95)	(37)	(132)
At 31 December 2008	1,717	659	2,376
Additions	38	723	761
Disposal	–	(658)	(658)
Exchange realignment	62	26	88
At 31 December 2009	1,817	750	2,567
DEPRECIATION			
At 1 January 2007	1,304	216	1,520
Provided for the year	65	61	126
Exchange realignment	148	27	175
At 31 December 2007	1,517	304	1,821
Provided for the year	88	72	160
Disposal	(16)	(52)	(68)
Exchange realignment	(84)	(17)	(101)
At 31 December 2008	1,505	307	1,812
Provided for the year	89	109	198
Disposal	–	(354)	(354)
Exchange realignment	56	2	58
At 31 December 2009	1,650	64	1,714
CARRYING VALUE			
At 31 December 2007	218	347	565
At 31 December 2008	212	352	564
At 31 December 2009	167	686	853

The property, plant and equipment are depreciated on a straight-line basis, based on their estimated useful lives of 5 years.

(f) *Amounts due from (to) related companies*

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from related parties			
Trade nature			
Delco Asia *(notes i)*	47,273	41,278	–
Non-trade nature			
Delco Recycling B.V. *(note i)*	5,655	7,130	–
SVO *(note ii)*	2,402	12,035	–
HPL *(note ii)*	–	1,106	–
	55,330	61,549	–
Amounts due to related parties			
Non-trade nature			
Delco Asia	17,158	16,253	–
SVO	–	647	681
HPL	–	647	26
	17,158	17,547	707
Analysed as:			
Current assets	55,330	61,549	–
Current liabilities	17,158	17,547	707

notes:

(i) Both these companies and Delco Europe were held jointly by SVO and HPL as to 50% each. The outstanding balances aged within one year.

(ii) Each of them held 50% beneficial interest in Delco Europe up to 31 December 2009.

(iii) All the above balances were denominated in US$, carry interest at prevailing market rates, unsecured and repayable on demand. In the opinion of the directors, the balances will be fully settled prior to the Listing.

(g) Other payables

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Accrued advisory costs	569	546	559
Accrued interest expense	1,407	2,389	112
Accrued travelling expense	2,873	4,325	–
Others	869	590	335
	5,718	7,850	1,006

(h) Unsecured short term bank borrowings

The bank borrowings are variable-rate borrowings denominated in Euro which carry interest at a premium plus The Netherlands Interbank Offered Rate per annum. The bank borrowings are guaranteed by the shareholders and they are repayable on demand.

(i) Share capital

	Number of share	**Amounts**
Authorised and issued		
– share of EUR453.78 each	40	EUR18,151
		HK$'000
Shown as		126

(j) Related party transactions

During the Track Record Period, Delco Europe had the following transactions with related parties:

Name of related party	**Nature of transaction**	**Year ended 31 December 2007**	**2008**	**2009**
		HK$'000	*HK$'000*	*HK$'000*
Delco Asia	Interest Income	270	322	2,295
	Interest expense	1,281	684	–
	Purchase support service fee income	5,185	3,560	–
SVO	Interest Income	26	58	57
	Management fee	641	683	647
HPL	Interest Income	–	28	82
	Management fee	641	683	647
The Group	Purchasing support service fee income	–	1,719	5,467

2. Pursuant to written resolutions of all shareholders of the Company passed on 23 June 2010 (i) the authorised share capital of the Company was increased from HK$50,000 to HK$50,000,000 by the creation of an additional new 4,995,000,000 shares, such new shares ranking pari passu in all respects with the existing shares; (ii) conditional upon all the conditions in the Hong Kong Undertaking Agreement and the International Underwriting Agreement being fulfiled or waived, 344,999,954, 344,999,954 and 59,999,992 shares are to be issued and alloted to HWH Holding Limited, Delco Participation B.V. and Green Elite Limited, respectively (being a total of 749,999,900 shares), credited as fully paid up at par out of the reserve created pursuant to the capitalisation of a sum of HK$111,854,000 due to each of Mr. Fang and Delco Asia, such shares ranking pari passu in all respects with the then existing shares.

3. Subsequent to 31 December 2009, the Company adopted the Pre-IPO Share Option Scheme, pursuant to which the Company has offered share options to certain employees, executives, officers and directors of the Group. For further details of this Pre-IPO Share Option Scheme, please refer to the paragraph headed "Pre-IPO Share Option Scheme" in the section headed "Statutory and General Information" on pages VI-36 to VI-50 of this prospectus.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2009.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Morison Heng
Certified Public Accountants
Hong Kong